Oppenheimer Funds
6803 S. Tucson Way
Centennial, CO 80112-3924

September 29, 2008

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Attention: Ms. Florence E. Harmon, Acting Secretary

Re: File No. S7-22-08: Commission Guidance Regarding the Duties and Responsibilities of Investment Company Boards of Directors with Respect to Investment Adviser Portfolio Trading Practices

Ladies and Gentlemen:

I am writing on behalf of the Denver-based Board of Trustees of the Oppenheimer Funds. Our Board, which consists of nine independent Trustees and one management Trustee, oversees 36 funds with about $84 billion in assets.

The Commission recently published proposed guidance for fund boards to assist them in overseeing the trading of portfolio securities. The proposed guidance focuses on best execution of portfolio transactions and the receipt of brokerage and research services by a fund's investment adviser through its use of a fund's soft dollar payments. Though we agree with the spirit of the Commission's proposed guidance, and we recognize that overseeing fund brokerage is an important part of our job, there are aspects of the proposed guidance that concern us. We urge the Commission to reconsider portions of its proposal, as explained below.

Enumeration of Specific Questions to be Asked by Boards

The Commission lists numerous, detailed questions that a fund board should pose to the investment adviser. The Commission's approach risks "setting in stone" in the form of a perfunctory checklist the particular line of questioning in which a fund's board of directors must engage. We fear that the Commission is essentially codifying what fund boards need to do in order to meet their duty of care. We worry that the Commission may be depriving fund boards of their ability to apply their best business judgment by responding flexibly to industry changes.

Industry experience supports our concern. Many years ago, the Commission suggested that fund boards consider nine factors when reviewing fees under Rule 12b-1 under the Investment Company Act. As Division Director Donohue acknowledged in a speech to the Investment Company Directors Conference on November 6, 2007, many of these factors are "not relevant in today's market." Despite this, fund boards continue to discuss these factors because of the widely held perception that compliance with the rule depends upon it. Another example:

the requirement that funds disclose in their semi-annual reports the considerations underlying a board's approval of the investment advisory contract. New precedent from the U.S. Seventh Circuit Court of Appeals has called these factors into question, yet because these considerations have been codified in Commission forms, fund boards do not have the ability to consider alternative approaches. In both cases, the Commission's authoritative statements effectively impair a fund's board from making an informed business judgment as to whether a particular method of evaluating a fund's expenses continues to make sense.

From our perspective, the better approach would be for the Commission to state that the questions set forth in the proposed guidance are not mandatory – or even consider rescinding them entirely – and then go on to make it clear that the decisions of a board with respect to the use of fund brokerage will not be questioned as long as the board arrives at its decisions in the proper exercise of its good faith business judgment in accordance with the directors' duties of care and loyalty. The Commission should also state that whether a board has satisfied its duty of care is based upon the totality of the circumstances and is not dependent on asking the specific questions contained in the release.

The Section 28(e) Safe Harbor

Many of the Commission's questions appear to impose on fund boards the duty of verifying that the adviser's use of soft dollars expended for eligible brokerage or research is within the safe harbor of Section 28(e). Yet the Commission is careful to note that "the Investment Company Act prohibits investment advisers to registered investment companies from using soft dollars to obtain research or services outside the confines of Section 28(e) of the Exchange Act." The release stresses that investment advisers are "fiduciaries" and that the burden of demonstrating compliance with Section 28(e) "rests on the investment adviser."

We believe that fund boards, absent extraordinary circumstances, ought to be able to presume that the investment advisers to the funds are obeying the law, perhaps by obtaining an annual certification from the advisers that they have complied with Section 28(e). Fund boards, in our view, should not be saddled with the responsibility of independently verifying compliance through a series of ritualistic questions. If a board can't trust the representations of its adviser, no amount of perfunctory verifications can cure this breach of trust.

Inclusion of Soft Dollar Charges in the Investment Advisory Agreement

We also are concerned by the Commission's suggestion that soft dollar arrangements that benefit the adviser should be considered part of the adviser's compensation, which must be "precisely described" under the advisory contract. We recognize the importance of discussing soft dollars in the context of contract renewals. This is far different, however, from suggesting that as a matter of law, benefits derived by the adviser from soft dollar arrangements should be described in the investment advisory agreement as compensation to the adviser. We don't believe this would be workable given the practical challenges it would present, not the least of which would be the requirement to get shareholder approval every time the adviser's compensation changed (because the purported value of soft dollars research changed).

We suggest that the Commission rescind this statement and instead maintain its focus on the inclusion of soft dollar arrangements in a board's Section 15(c) considerations.

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We are grateful for the Commission's proposed guidance on this important matter and appreciate the opportunity to comment.

Very truly yours,

/s/ William L. Armstrong

William L. Armstrong
Chairman of the Board

cc: George C. Bowen, Trustee
Jon S. Fossel, Trustee
Richard F. Grabish, Trustee
Robert J. Malone, Trustee
Edward L. Cameron, Trustee
Sam Freedman, Trustee
Beverly L. Hamilton, Trustee
F. William Marshall, Jr., Trustee
John V. Murphy, Trustee